

Message Text

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ORIGIN AF-06

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DRAFTED BY AF/E:RSBARRETT:NB

APPROVED BY AF/E:WBCOOTE

AF/EPs:LWHITE

L/SCA:EKERLEY (SUBS)

L/C:FKWIATEK

L/AF:JROHWER

EB/ODR:TBRODERICK (PHONE)

----- 070991

R 161919Z MAY 75

FM SECSTATE WASHDC

TO AMEMBASSY ADDIS ABABA

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E.O. 11652: N/A

TAGS: ECON, EINV, ET

SUBJECT: COMMUNICATION FROM AMERICAN LIFE INSURANCE CO.

1. THE FOLLOWING LETTER WAS RECEIVED RECENTLY IN AF/E.
2. "THANK YOU FOR SENDING ME THE ETHIOPIAN GOVERNMENT'S MARCH 13TH STATEMENT ON COMPENSATION.

FROM READING THIS I SEE A COMMITTEE HAS BEEN FORMED TO RECOMMEND COMPENSATION TO NATIONALIZED BUSINESS ENTERPRISES.

I AM INTERESTED IN THAT PART OF THE GOVERNMENT'S STATEMENT THAT READS AS FOLLOWS:

QUOTE - THE COMMITTEE'S RECOMMENDATIONS, IN THE FORM OF A PROPOSED DRAFT COMPENSATION LAW, WILL BE FORWARDED SHORTLY

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TO THE GOVERNMENT FOR PROMULGATION. UNQUOTE.

"IT WOULD SEEM TO ME THAT THE U.S. GOVERNMENT HAS AN OPPORTUNITY TO ADVISE THE COMMITTEE OF THE UNITED STATES POSITION THAT PROMPT, FAIR AND ADEQUATE COMPENSATION SHOULD BE PAID TO AMERICAN COMPANIES WHICH ARE EXPROPRIATED. MOST IMPORTANT, SINCE APPARENTLY THE COMMITTEE IS GOING TO SUBMIT

A DRAFT LAW WHICH WILL DETERMINE THE APPROACH TO COMPENSATION FOR ALL NATIONALIZED INDUSTRIES, IT IS ESSENTIAL THAT OUR GOVERNMENT RECOMMEND TO THE ETHIOPIAN GOVERNMENT THAT IT BE AWARE OF THE DEFINITE PROBLEMS OF VALUATION FACED IN COMPENSATING DIFFERENT INDUSTRIES. FOR EXAMPLE, WE WOULD EXPECT THAT AMERICAN LIFE INSURANCE COMPANY WOULD NOT ONLY BE COMPENSATED FOR THE NET ASSET VALUE OF ITS BUSINESS BUT FOR THE LOSS OF GOODWILL AND FUTURE PROFITS. THIS HAS BEEN THE APPROACH BACKED BY THE U.S. GOVERNMENT IN VARIOUS OTHER COUNTRIES IN WHICH INSURANCE HAS BEEN NATIONALIZED. "

3. THE ETHIOPIAN GOVERNMENT'S STATEMENT MADE MARCH 12 REFERRED TO WAS IN THE FBIS OF MARCH 13.

4. WOULD APPRECIATE EMBASSY'S COMMENTS ON THIS LETTER OR REPORT OF ACTION TAKEN ALONG LINES INDICATED THEREIN SO THAT WE CAN INFORM AMERICAN LIFE. KISSINGER

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